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The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

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The advance in the index of prices received by farmers is not expected to continue into the fall as increased supplies of important commodities come on the markets.

Products likely to be affected most by seasonal increases in supplies this fall are hogs, cattle, eggs, corn and other feed grains, soybeans and fresh vegetables.

The index again went up from mid-August to mid-September, but the advance was smaller than for other recent months. Since January prices farmers receive have gone up faster than prices paid. As a result, the level of farmers' prices has risen from 6 percent below parity to 5 percent above.

Among important individual products, however, prices of only 8 are above parity—veal calves, 42 percent; beef cattle, 40 percent; lambs, 32 percent; cotton, 29 percent; wool, 19 percent; cottonseed, 16 percent; flue-cured tobacco, 9 percent; and hogs, 8 percent. Prices of most other farm products are below 90 percent of parity.

A lull in the advance of prices received by farmers this fall would come at a time when most other measures of business activity will be heading upward. Military spending will be increasing. The changing economic outlook probably will result in business men spending more for plant and equipment than they had intended earlier. The effects of the round of wage increases now under way will become more pronounced. With wages and raw material prices both going up, prices of industrial commodities are likely to continue to rise.

Currently, the economy is operation at near the highest levels ever reached in peace time. Industrial production rose to a new peak in August and a further rise was expected for September. More people are employed than ever before. Construction work continues at record levels. The wholesale price level has pushed up to within 1 percent of the record of mid-August 1948 with textile products and building materials setting new records.

Authority is given the President until June 30, 1951 to set price ceilings for materials and services by the Defense Production Act of 1950. For farm products, the Act provides that no ceilings shall be set below the highest of the following prices, after adjustment for grade, location and seasonal differentials:

1. The parity price, or
2. The highest price received by producers during the period from May 24, 1950 to June 24, 1950, or
3. For any products for which the market was not active during the above period, the average price received by producers during the most recent representative period before May 24, 1950 in which that commodity was active, adjusted in line with the general level of prices received by producers for all farm products during the May 24-June 24 period.

FARM INCOME During the first 9 months of 1950, farmers are estimated to have received 18.7 billion dollars from sales of their products. This is 4 percent less than in the same period last year. In the first 7 months of 1950, cash receipts ran about 7 percent below a year earlier.

LIVESTOCK AND MEAT The fall increase in marketings of meat animals is under way. While the increase in consumer incomes is expected to strengthen demand for meat, some price declines are expected.

Hog prices, after reaching the highest level in nearly two years in August, were off moderately by September 1. No more than the usual 18 to 20 percent drop is expected by December. Price trends for other meat animals will be less pronounced. Cattle prices probably will weaken as marketings reach a peak. Not much decline is expected for sheep and lambs.

The hog-corn ratio this fall—the breeding season for spring pigs—points to a larger crop pig next spring than we had this year.

DAIRY PRODUCTS Output of milk is going down seasonally and is about the same as a year earlier. The rate at which USDA is buying butter, cheese and nonfat milk for price support has dropped considerably.

Except for usual seasonal changes, price increases for dairy products since the beginning of the Korean war have been confined to a few products: Casein prices have about doubled, canned milk has gone up 5 to 10 percent and butter 5 percent.

POULTRY AND EGGS Prices farmers received for eggs in mid-September were only 2.4 cents higher than on August 15. The gain the preceding month was 3.8 cents. Egg prices may have reached their seasonal peak.

Large sales of farm produced chickens and commercial broilers in the next few months are likely to prevent price increases.

FATS AND OILS The record soybean crop and increasing supplies of lard probably will result in seasonal price declines for these products this fall. Because of rising consumer incomes and industrial activity, fats and oils prices are likely to average higher than a year earlier during the next 12 months.

FEEDS Feed grain prices are above a year earlier and are likely to stay that way through winter. Prices of most byproduct feeds also are above a year earlier though fish meal and soybean meal are substantially lower.

The feed concentrate supply is a near-record this year, both in total and per grain-consuming animal unit. More of it will be fed than in 1949-50 but stocks at the end of the feeding season on October 1, 1951 again will be large. Hay supplies in prospect are the largest on record compared with the number of roughage eating animal units.

WHEAT Wheat prices remain below the loan level as is usually the case at this time of year. Export demand has been slow, and storage facilities in some areas have been hard to get.

The September 1 estimate of wheat production was only slightly higher than a month earlier. But it was enough to boost the total above a billion bushels. This is our 7th consecutive billion bushel crop.

Total world exports of wheat during 1949-50 dropped 200 million bushels from the 1948-49 total of one billion. A small decline is likely this year unless international developments reverse the trend.

FRUITS AND VEGETABLES Smaller crops and stronger demand is expected to hold prices of most deciduous fruits above last fall's levels. Oranges and grapefruit from the new Florida crops will begin coming to market in October. With average weather, production is expected to be larger than in 1949-50. This year's tree nut crop is 22 percent smaller than in 1949 but 4 percent above average.

Production of fresh vegetables for the fall market is estimated to be a tenth above a year ago. Cabbage, carrots and lettuce are likely to be particularly plentiful. Vegetable prices probably will average lower than last fall.

The potato crop this year is estimated at 420 million bushels, 18 million bushels larger than last year when the government bought nearly 77 million bushels for price support. But price support purchases this year may not total any larger than last year for 2 reasons: Moderately lower prices may result in increased consumption. Many producers are not eligible for support because marketing agreements and orders were not approved in their areas.

Record yields and some increase in acreage boosted the sweetpotato crop 10 percent above last year. Prices have been much lower than a year earlier; probably will rise after reaching a seasonal low this fall.

COTTON AND WOOL During August, U. S. mills consumed nearly a third more cotton than in July; over fifth more than in August last year. Exports were over 400,000 running bales, compared with 265,000 bales in July and 168,000 bales in August 1949. With the 1950 crop estimated on September 1 to be 39 percent below last year, total supply for the 1950 season including imports will be about 16.8 million bales compared with 21.5 million in 1949-50.

Farmers received an average of 39.98 cents per pound in mid-September, compared with 36.95 cents in August and 29.70 cents in September last year.

When auctions for the new wool season opened in Australia and the Union of South Africa, prices were 35 to 50 percent higher than when auctions closed last June. At Boston, prices of both domestic and imported wools were continuing upward in late August and early September.

TOBACCO Prices for the 1950 flue-cured tobacco crop seem likely to average the highest on record. With 65 percent of the crop marketed by October 1, prices averaged 55 cents per pound, 7½ cents above the same period last season and 10 cents above the support level.